



FERC Technical Conference: PJM's Compliance with FERC Wholesale Power Market Platform

Transmission Owner Sector Remarks

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Wholesale Market Platform Elements

- Transmission Owners believe PJM complies with the FERC White Paper elements:

- Regional Independent Grid Operation
- Regional Transmission Planning Process 
- Fair Cost Allocation for Existing and New Transmission 
- Market Monitoring and Market Power Mitigation
- Spot Markets to Meet Customers' Real-Time Energy Needs
- Transparency and Efficiency in Congestion Management
- Firm Transmission Rights
- Resource Adequacy Approaches

- Discussion is continuing on several specific issues to refine market and business rules.

- FERC needs to do more in certain areas.

Regional Transmission Planning Process

- PJM has initiated a Region-wide Planning Process, which includes enhancements for both reliability and economics
- Methodology has been developed to determine customer cost responsibility and to assign the obligation to build to transmission owner(s)....**but**
- Transmission rates to actually charge those customers have been rejected.
- A comprehensive system that links the planning process with appropriate rate mechanisms for investment recovery is imperative for success

Fair Cost Allocation for Existing and New Transmission

- PJM has a well-developed process whereby stakeholders including states can be heard on issues, consistent with the Section 205 filing rights of the transmission owners.
- Lack of a pricing policy for existing transmission assets that support inter-regional transactions is a detriment to the Wholesale Market Platform and is impacting the expansion of PJM.
- A clear FERC policy on how this matter will be addressed in future rate making is needed to eliminate uncertainty.

Fair Cost Allocation for Existing and New Transmission (cont.)

- Elimination of regional through and out rates (RTOR's) only for selected regions can cause market aberrations
 - Substitution of new lost revenue charges has the potential to antagonize existing load serving entities and/or state commissions, generating more opposition to expansion.
- Development of transitional mechanisms for recovery of lost revenue due to elimination of wholesale rates are hampered by the absence of the ultimate vision.
- What are market participants transitioning to? FERC needs to move forward and define the permanent solution.